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RUEHRL/AMEMBASSY BERLIN  
RUEHBY/AMEMBASSY CANBERRA  
RUEHDK/AMEMBASSY DAKAR  
RUEHKM/AMEMBASSY KAMPALA  
RUEHNR/AMEMBASSY NAIROBI  
RUEHGV/USMISSION GENEVA  
RHEHAAA/NSC WASHDC  
RHMFISS/EUCOM POLAD VAIHINGEN GE  
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000376

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C O R R E C T E D C O P Y (ZDK NUM SVC)

AF/S FOR S.HILL  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS  
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN  
TREASURY FOR J.RALYEA AND T.RAND  
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN  
COMMERCE FOR BECKY ERKUL

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E.O.12958: N/A  
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)  
SUBJECT: ZIM NOTES April 25, 2008

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1. SUMMARY  
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Topics of the week:

- Signals or Smoke Screen, State-Media Floats Idea of Government of National Unity
- No End To Post-Election Violence
- Recount Results Trickle In
- UN Human Rights Officials Visit Harare
- Chinese Ship With Arms For Zimbabwe On Its Way Home
- Government Postpones COMESA Summit
- Substantial Salary Increase For Zimbabwe Defense Forces (ZDF) Personnel
- Don't Tell The Americans You're Hungry
- Zimbabwe Dollar In Freefall
- Tobacco Auction Floor Opening Delayed
- Bleak Outlook For Cairns Holdings
- Yet Some Investors See Opportunity

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2. Price Movements-Exchange Rate and Selected products  
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Parallel rate for cash shot to ZW\$100million:US\$1;  
Bank transfer rate: Z\$140 million;  
Official rate: ZW\$30,000:US\$1

Sugar more than doubled again to Z\$450 million/2kg vs. controlled price of Z\$8million/2kg

Cooking oil again nearly doubled to Z\$350 million/750ml vs. controlled price of Z\$9.3million/750ml

Petrol and diesel rose to Z\$140 million/liter vs. controlled price of Z\$60,000/liter

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On the Political/Social Front  
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13. Signals or Smoke Screen, State-Media Floats Idea of Government Of National Unity... In an unexpected development, the government-mouthpiece The Herald ran an editorial this week by a well-known pro-government commentator that called for SADC to mediate negotiations between ZANU-PF and MDC-Tsvangirai (MDC-T) for a transitional government of national unity (GNU) with President Mugabe at its head. It also recommended that the "progressive international community," represented by the "US/UK establishments," act as the third key player in the negotiations. It called on all stakeholders to recognize and accept that the March 29 elections had not produced an outright winner in the presidential race and that it was unlikely that the on-going recount would substantively alter that position. The editorial disappeared off The Herald's website in the course of the day and a government spokesman denied the government was considering a GNU.

According to reports in the April 25 edition of The Independent, SADC is pushing for a GNU as a solution to Zimbabwe's political crisis, arguing that the anticipated presidential election runoff expected sometime in May would not end the impasse. MDC-T Secretary General Tendai Biti said the proposal in The Herald should be seen as a reflection of ZANU-PF's thought process, contending that it showed ZANU-PF knew Mugabe could not win a runoff. There were reports that soon after the March 29 elections Mugabe realized he had lost and was close to coming to terms with MDC-T over a GNU and a transition plan; however, senior regime insiders fearing for their

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own future nixed the idea and rolled-out a campaign of violent retribution to whip the electorate into submission ahead of a second round of voting. See Harare 0367.

14. No End To Post-Election Violence... Gangs of war veterans and ZANU-PF youth continue a state-sponsored terror campaign in rural areas; burning homes, beating opposition supporters in public, and forcing attendance at ZANU-PF rallies. ZANU-PF thugs and some security forces are also victimizing and intimidating urban opposition supporters. Over 450 victims have required medical treatment for injuries related to post-election violence. Opposition and human rights groups report shortages of critical supplies and resources necessary to assist the growing population of internally displaced persons. Post is working closely with other international donors and partners to assist. See Harare 0359.

15. Recount Results Trickle In... A contentious recount of 23 constituencies expected to last 7Q repeated in recent weeks that it would not participate or honor a re-run or recount, but its party polling agents were present at the recount centers, as were SADC and local election observers. Consensus speculation is that ZANU-PF called for the recounts in order to pad President Mugabe's embarrassingly low support and wrestle control of the House of Assembly back from the opposition, which won a majority in the lower house for the first time ever. ZANU-PF needs to swing at least nine seats back to its side to regain the majority. So far, the recount has failed to change any of the previously declared outcomes. Quoting well-placed ZANU-PF sources, The Independent reported on April 25 that "things were not going according to plan" and that the recount was now an "exercise in futility."

16. UN Human Rights Officials Visit Harare... On April 24, donors in Harare met with two visiting representatives of the UN Office of the High Commissioner for Human Rights (OHCHR), David Johnson, the Regional Representative for Southern Africa based in Pretoria and Tsatsu Dawson, the Zimbabwe desk officer at OHCHR Geneva. Dawson

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explained that the GOZ last year refused to agree to the posting of a Human Rights Officer in Harare, but that OHCHR hoped to use a series of visits to make a contribution during this difficult period. The current visit was focused on helping the UN country team and Human Rights NGOs deal with the situation, which Johnson referred to as a "burning crisis." Johnson and Dawson were meeting with the human rights NGO community and were very interested in the donor field visits (see Harare 0359). Donors were skeptical about Johnson's description of OHCHR efforts to create a government-led clearing house for human rights complaints. However, they agreed heartily with his statement that, at the moment, the most urgent issue in Zimbabwe is the human rights crisis, not the political situation, and that human rights progress is essential to arrive at a political solution. UN ResRep Dr. Zacarias, surprisingly, said many of the right things on the human rights situation here.

¶17. Chinese Ship With Arms For Zimbabwe On Its Way Home... The An Yue Jiang, which was carrying arms destined for Zimbabwe, is now returning home, with its cargo, after the shipment was vilified in the international press and, more significantly, in the region.

¶18. Government Postpones COMESA Summit... Dodging potential embarrassment, the Ministry of Foreign Affairs announced this week the postponement of the Common Market for Eastern and Southern Africa (COMESA) Summit that had been scheduled to take place on May 5-15 in Victoria Falls, due to "the uncompleted electoral process." Zimbabwe is about to assume the chairmanship of COMESA.

¶19. Substantial Salary Increase For Zimbabwe Defense Forces (ZDF) Personnel... ZDF personnel received a substantial real salary

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increase in April. A Warrant Officer who had been earning Z\$8 billion/month got Z\$25 billion. Even in real U.S. dollar terms, the increase was significant, going from US\$190 four weeks ago, using the parallel exchange rate for cash, to US\$250 today for a Warrant Officer. The Zimbabwe Republic Police did not get any increase.

¶10. Don't Tell The Americans You're Hungry... The Operation of Hope surgical team departed Harare this week after completing 81 free corrective cleft lip and cleft palate surgeries on its third visit to Zimbabwe. At a celebration for hospital staff, parents, patients, and the team, one grateful father told us the hospital administration had warned parents not to complain to the Americans about hunger. He also said that he, his wife and infant would stay on another night at the hospital and depart early the next day rather than risk a beating at the bus station if they arrived home at night.

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Economic and Business News  
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¶11. Zimbabwe Dollar In Freefall... The Zimbabwe dollar is in another freefall phase, having dropped from Z\$82 million:US\$1 cash rate eight days ago to Z\$100 million:US\$1 today. The depreciation largely reflects the dire shortage of foreign exchange on the local market. We hear repeatedly from exporting companies and NGOs that the Reserve Bank has raided their Foreign Currency Accounts, most likely to finance the recent election and associated give-aways.

¶12. Tobacco Auction Floor Opening Delayed... Zimbabwe's famous tobacco auction floors failed to open as planned this week, bedeviled by disagreement between growers and government over the tobacco support price and arrears to farmers for the foreign exchange portion of last year's crop. Farmers said they will not deliver their crop until the government has met their demands for payment and guaranteed a viable support price.

¶13. Bleak Outlook For Cairns Holdings... Food sector giant Cairns, suffering from a negative cash flow, might not be able to meet its interest obligations, according to asset manager Imara Capital, commenting on the company's interim results to February 29. Volume declined by 38 percent in the period under review, mainly due to

material shortages. Hyperinflation has eroded any benefit the company got from deeply subsidized BACOSSI funds last year. See Harare 0365 and 0366 on how some U.S. companies are faring and Harare 0363 for an overview on coping in the business community.

[¶14](#). Yet Some Investors See Opportunity... In the midst of crisis, some investors see opportunity here that the risk averse abandoned long ago. Banking on economic recovery and attracted to Zimbabwe's cheap price tags, investors are looking at sectors with international links or those that will benefit from an increase in consumer spending. See Harare 0361.

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